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C O N F I D E N T I A L SECTION 01 OF 02 YEREVAN 000082

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TAGS: ENRG ECON MNUC KNNP AM
SUBJECT: NRC COMMISSIONER LYONS VISITS ARMENIA

Classified By: CDA Pennington for reasons 1.4b and d.

¶1. (U) SUMMARY: On his brief January 21-22 visit to Armenia, NRC Commissioner Peter Lyons surveyed -- and was impressed by -- the progress the GOAM has made in building up its nuclear regulatory agency, upgrading its nuclear power plant and safeguarding nuclear materials after 10 years of USG assistance. Lyons also discussed possible future USG involvement in the development of a new reactor to replace the current one scheduled to be decommissioned by 2016. While the GOAM is looking to put together a consortium of Russian, European and American companies to fund, design and build such a facility, the feasibility of such an endeavor -- and specifically U.S. participation -- remains doubtful. END SUMMARY.

¶2. (C) In meeting with representatives of the Armenian Nuclear Regulatory Agency (ANRA), the chief recipient of NRC's assistance efforts (using FREEDOM Support Act funds), Commissioner Lyons found the small staff of 18 regular and 33 contract employees to be technically solid and knowledgeable about their tasks as regulators. Nevertheless, Lyons decried ANRA's woefully small staff, its relatively low salaries and its confinement within the Ministry of Nature Protection, points that the Commissioner discussed with Energy Minister Armen Movsisian and other officials with whom he met. He also commented favorably on the measures the GOAM has taken, through ANRA, to safeguard nuclear materials.

¶3. (C) Lyons' schedule was dominated by an extensive and quite technical visit to the Armenian Nuclear Power Plant (ANPP) in Metsamor. While he anticipated finding a dangerous plant that barely fulfilled safety minimums, the Commissioner found himself more favorably impressed than he had expected by the safety measures that have been implemented -- again with USG assistance -- at the ANPP since 1996. He was also briefed on the USAID pre-feasibility studies for a new reactor, which take into account the particular generation as well as seismic needs of a new facility at the ANPP, and emerged with a positive opinion of the approach the USG has taken in helping the GOAM identify those areas of concern and the types of reactor models that it can consider in putting together a full feasibility study later this year. Lyons mentioned that at least one U.S. company, The Shaw Group (using Westinghouse equipment), has expressed interest in involvement with designing and constructing a new ANPP reactor, though he offered no further details.

¶4. (C) Lyons also spoke with GOAM officials who described their vision of a new ANPP reactor. Attempting to drown out those voices who claim that the Russians will strong-arm their way into total control of the project, officials such as Energy Minister Movsisian spoke of putting together a consortium of U.S., European and Russian entities to finance,

design and build the new reactor. Movsisian, in particular, noted that diversifying the sources of financing and expertise would be in Armenia's interests and would increase Armenia's control over its energy security.

¶5. (U) NOTE: A new nuclear plant is widely projected to cost in the range of USD 1.5 billion, while decommissioning the existing plant will cost several hundred million dollars. The European Union has offered EUR 200 million toward the cost of immediately decommissioning the current plant, but it remains unclear how long this offer will remain on the table.

The EU unrealistically calls for the existing nuclear plant to be decommissioned immediately as unsafe, while ignoring the need to replace generating capacity -- the ANPP currently supplies about 40 percent of Armenia's electricity. END NOTE.

¶6. (C) COMMENT: Commissioner Lyons was the highest-ranking USG official ever to visit the ANPP, and his visit did not go unnoticed in scientific and nuclear related circles here. Lyons' visit also underscored the enormous technical and financial challenges associated with continuing to upgrade ANPP's current facility, while also contemplating constructing a new reactor that must be ready by the 2016 deadline for the current reactor's decommissioning. Despite Russia's presumed inside track, we and Commissioner Lyons think it is worth giving the GOAM the opportunity to explore what U.S. firms might have to offer, at least to enable them to get the best deal from whichever company ultimately wins the tender)- even if it is Russian. We also think that some in the GOAM -- the Energy Minister, for instance -- really would like to have Western involvement to enhance Armenia's sovereignty over energy diversity, something that is in the U.S. interest as well. END COMMENT.

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¶7. (U) Commissioner Lyons did not have the opportunity to review this cable prior to transmission.

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